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SUBJECT: CAFTA-DR EARLY SUCCESS STORIES: FOOD & BEVERAGE AND
ARTISANAL CRAFTS

REF: A. SAN SALVADOR 1844 B. SAN SALVADOR 1779

Summary

¶1. CAFTA-DR has shown early successes in El Salvador, especially in the local food and beverage industry and in artisan crafts. Agricultural exports are up 32 percent in the first half of 2007, especially exports of "ethnic foods," including cheese, loroco, and seafood, and producers are preparing for further expansion. Likewise, many local artisans, supported by USAID programs, are exporting crafts to the U.S. for the first time. Successes in the textile, manufacturing, and services sector have been reported in refels. End Summary.

¶2. According to the Ministry of Agriculture, sales of agriculture and agro industrial food and beverage products to the U.S. increased by 32% in the first half of 2007 to \$258.8 million. Ricardo Esmahan, the President of the Salvadoran Agricultural Chamber, stated that they are greatly expanding due to CAFTA-DR, and that firms have been encouraged by the clear rules that now exist to export to the United States. Similarly, Minister of Economy Yolanda de Gavidia stated that the Salvadoran firms are taking advantage of the fact that we are complementary economies by selling products in the U.S. that are not produced there.

CHEESE (PETACONES)

¶3. Cheese exports, aimed primarily at Salvadoran nostalgic market, increased by 58% during the first seven months of 2007. One major CAFTA-DR success is the cheese producer Petacones. During the first year of CAFTA-DR, Petacones exported \$750,000 to the U.S., and in 2007 they plan to increase their U.S. exports to \$1.3 million. Their main export is the Salvadoran classic Petacones cheese. While their sales have focused on the Salvadoran community so far, they will next go after the Mexican community market in the U.S. and, afterwards target non-Hispanic U.S. consumers.

¶4. Before CAFTA-DR, Petacones exported \$40,000 per year to the U.S., but they experienced many problems with U.S. customs. Cheese was on Customs' Detention List, so their product would be stopped for around 45-60 days, after which it could not be sold in the U.S. (it was ruined). USDA worked with the Ministry of Health and the Ministry of Agriculture to improve Petacones' production processes, Petacones received technical assistance with USAID funds, and a Food and Drug Administration delegation inspected Petacones production plant, making several recommendations for improvement. After Petacones implemented the changes, they were taken off the Detention list and could export without restrictions. Secretary of Agriculture

Johanns visited the Petacones plant on a recent trip to El Salvador.

ETHNIC PRODUCTS

¶5. "Ethnic" or "nostalgic" product exports have also expanded, including exports of sweet corn tamales, pickled pacaya, frozen chipilin, morro seeds, sweet bread, horchata beverage, spices, pupusas, beans, frozen jocote, and sesame seeds. The Government of El Salvador opened a new line of credit to ethnic product producers and exporters through the Investments Multisectorial Bank (BMI), the Central American Bank for Economic Integration (BCIE), and the Agricultural Promotion Bank (BFA). The interest rate will vary between 9% and 11%, and some products will enjoy of a grace period of one year.

¶6. The large Salvadoran snacks firm Diana plans to increase its presence in the U.S. market through large supermarket chains such as Publix and Pantry Pride. Currently, Diana exports only 3 percent of its production to the U.S., mostly through medium supermarket chains and small businesses. Likewise, Pasteles de El Salvador produces ethnic sweet bread, a nostalgic product highly appreciated by the Salvadoran diaspora. They are selling products such as margarita cocada, pineapple pie, and rice salpor in the U.S.

¶7. Loroco de El Salvador (Lorocosal) exported 18,000 pounds of loroco to the U.S during 2006. For 2007, they project to sell 130,000 pounds to nostalgic and gourmet markets with prices varying between \$5 and \$20 per pound. Lorocosal took advantage of the Micro and Small Business Promotion Program of the Salvadoran Foundation for Social and Economic Development (FUSADES) and the Agribusiness Restructuring Program of the Ministry of Agriculture. The firm's industrial plant in Colon has the capacity to process 2,000 pounds daily. Similarly, Exportadora e Importadora de Productos

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Salvadorenos, exported around 3,000 pounds of Loroco per week in 2006, and they project to double their sales during 2007. They stated that CAFTA-DR improved their exporting steps and requisites, and they have advised other producers to take advantage of it since demand for loroco in the U.S. is still not met.

SEAFOOD

¶8. The seafood sector has also expanded its sales. La Union-based fish processing company Mar y Sol exported more than \$346,000 in dry shrimp and \$279,000 in dry fish to the U.S in 2006. As a result of the mounting demand, they have created 350 direct jobs and 600 indirect jobs during the past year. The firm also received Hazard Analysis and Critical Control Point (HACCP) qualification in Miami.

¶9. Similarly, dehydrated shrimp producer Exportaciones Agricolas increased exports to the U.S. by 25% during 2006. Hector Rivera, the firm's legal representative, stated that CAFTA-DR has improved the image of the firm in the U.S. market and has allowed them to obtain more clients. During 2006, the demand was so high that the company had to buy shrimp in Mexico in order to comply with the orders. They plan to acquire a new property this year in order to breed shrimp and want to expand their business into producing cooked shrimp.

OTHER FOOD AND BEVERAGE SUCCESSES

¶10. Approximately 384 small farms and 1,811 small producers are growing organic products for export. According to Emilio Espin, director of the Communal Development and Cooperation Foundation from El Salvador (CORDES), they are currently only exporting cashew and coffee to the U.S. under CAFTA-DR, but they hope to introduce new products like indigo, coconut, and vegetables. Other producers are exporting vegetables (e.g., bell pepper) and dyes.

¶11. Jumex plans to open the first beverage producing plant outside of Mexico in El Salvador by December 2007. They have already

invested more than \$7 million. Under CAFTA-DR, Jumex can export their juices and nectars directly from El Salvador to the U.S. without having to comply with a quota based on sugar content.

¶12. Stephanie Andersen Cacao company, a joint U.S. -Salvadoran investment, invested \$30,000 in a cacao plantation in Alegria, Usulután, creating 50 direct and 100 indirect jobs. They will be ready to export chocolates to the U.S. in about a year.

ARTISANS

¶13. Several small and micro artisan businesses are also benefiting from CAFTA-DR, starting exports to the U.S. for the first time. Many of these enterprises benefited from USAID assistance programs.

¶14. Paax Muul started exporting guitars to the U.S. in 2006. They expect sales of more than \$50,000 in Pennsylvania during 2007. They received support from the USAID in technical training for three years. Now the artisans are able to produce high quality hand made guitars which sell for between \$600 and \$1,600. They invested more than \$20 thousand in machinery to elaborate some of the guitar pieces.

¶15. Artesanías y Fachadas (Arfa), a small crafts producer from Ilobasco, started exporting to the U.S. encouraged by CAFTA-DR. They produce frontages in mud, wood and wrought iron. While their initial exports were small, they found clients in Miami and Los Angeles, and are looking for direct distributors in several U.S. cities. Likewise, Eco Bambu, another small crafts firm, increased its exports by 70 percent. They produce crafts in bamboo, morro, and a variety of seeds, as well as a variety of ceramics which they export to several cities in California.

¶16. Artisans from the town of Guatajiagua have exported \$30,000 of artisan crafts to the U.S. after CAFTA-DR, selling products to PriceSmart and Park Avenue Candles. Guatajiagua has over 400 artisan workshops and is located in the eastern department of Morazan. Artisans produce an attractive black pottery with local clay. Artisans have received technical assistance and training from the USAID Artisan Development Program implemented by Aid to Artisans (ATA), a non governmental organization.

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¶17. The Salvadoran firm Classic Reflections Vitrales plans to begin exporting to the U.S. before the end of 2007. They plan to start with 1,500 bevelings (designs in glass). They have received training from the Small and Micro Business National Commission (CONAMYPE). They have made business contacts in Miami, Houston and California. Similarly, small business Las Azulinas plans to begin exporting to Washington this year. They produce indigo textile articles for the home and clothing. The firm employs 10 women.

Butler